

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 00301 080845Z

13

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 FRB-02 INR-10

NSAE-00 RSC-01 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06

SIL-01 OMB-01 EA-11 SAM-01 NSC-10 SS-20 STR-08 CEA-02

L-03 H-03 DRC-01 NIC-01 SAJ-01 /163 W

----- 100396

R 080706Z FEB 74

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 812

USDOC WASHDC

TREAS WASHDC

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE BUDAPEST 0301

E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SUBJECT: HUNGARIANS UNLOAD NON-CONVERTIBLE CURRENCY

USDOC FOR BEWT; VIENNA FOR EWTC

1. US BUSINESSMAN INTERVIEWED ON FEB 5 WHO RECEIVED  
CONCRETE PROPOSAL FROM HUNGARIAN FOREIGN TRADE COMPANY  
(FTO) TO PAY FOR US PRODUCTS IN NON-CONVERTIBLE  
CURRENCIES OF THIRD COUNTRY. AFTER TALKING WITH HIS  
LONDON-BASED BANKERS HE WAS ABOUT TO CLOSE SALE  
DENOMINATED IN CURRENCY OF PEOPLES REPUBLIC OF CHINA.  
OTHER NON-CONVERTIBLE CURRENCIES HAD ALSO BEEN MENTIONED  
BY FTO.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 00301 080845Z

2. WHEREAS EMBASSY HAS SPECULATED THAT NATIONAL BANK MIGHT

BE TEMPTED TO UNLOAD NON-CONVERTIBLE CURRENCIES ON WESTERN MARKETS, WE PREVIOUSLY HAD NO REASON TO BELIEVE THAT INDIVIDUAL HUNGARIAN FOREIGN TRADE COMPANIES MIGHT BE PERMITTED TO PAY FOR WESTERN IMPORTS WITH FORINTS OR OTHER NON-CONVERTIBLE CURRENCY.

3. ON FOLLOWING DAY TWO RANKING OFFICIALS (EI. SZIKLAI, MIN FOR TRADE DIRECTOR FOR DEVELOPED OVERSEAS NON-SOCIALIST COUNTRIES; AND FRIGYES HORCHLER OF INT ECON REL SECRETARIAT OF COUNCIL OF MINISTERS) CONFIRMED TO COMATT THAT SUCH PRACTICES ARE LEGAL AND THAT, PROVIDING CONTRACTS SPECIFY NON-CONVERTIBLE CURRENCY PAYMENT, AMERICAN COMPANIES MAY FREELY ENTER INTO SUCH ARRANGEMENTS. SZIKLAI CLAIMED THAT HE WAS UNAWARE OF SPECIFIC EXAMPLES AND PRESUMED THEY WERE UNUSUAL. BOTH OFFICIALS, HOWEVER, SEEMED TO BE REASSURING COMATT THAT BUSINESSMEN SHOULD FIND SUCH PRACTICES ACCEPTABLE.

4. THIS DEVELOPMENT IS INTERESTING IN THAT IT INDICATES CONTINUING FLEXIBILITY ON PART OF HUNGARIAN FOREIGN EXCHANGE AUTHORITY ( NATIONAL BANK). NATIONAL BANK WAS FIRST AMONG COMECON COUNTRIES TO TAP WESTERN CAPITAL MARKETS FOR HARD CURRENCY, AND NOW MAY BE AMONG FIRST TO MORE OR LESS OPENLY UNLOAD SOME SURPLUS NON-CONVERTIBLE CURRENCIES ON WESTERN MARKETS. IT IS INTERESTING ALSO IN THAT INDIVIDUAL TRADING ENTERPRISES MAY BE ALLOWED TO ACT ON THEIR OWN IN DISPOSING OF THESE CURRENCIES IN COMMERCIAL, RATHER THAN FINANCIAL, TRANSACTIONS.

5. IN THIS CONNECTION WE NOTE HUNGARY PRESENTLY HAS UNWANTED ACTIVE BALANCE OF TRADE IN RUBLE AREA AND THAT UNDER NEW FOREIGN EXCHANGE LAW, LAW DECREE NO. 1 OF 1974, WIDE POWERS OF NATIONAL BANK TO MAKE SPECIAL PROVISIONS FOR TRADE ACTIVITY ARE NOT ONLY PRESERVED BUT CLARIFIED. LAW DECREE NO. 1 BEING TRANSMITTED SEPARATELY BY AIRGRAM. PEDERSEN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONVERTIBLE FOREIGN EXCHANGE, COMMERCIAL LAW, HARD CURRENCIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BUDAPE00301  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BUDAPEST  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740247/aaaabroi.tel  
**Line Count:** 96  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 MAR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 MAR 2002 by garlanwa>; APPROVED <01 MAY 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** HUNGARIANS UNLOAD NON-CONVERTIBLE CURRENCY USDOC FOR BEWT; VIENNA FOR EWTC  
**TAGS:** EFIN, ETRD, HU, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005